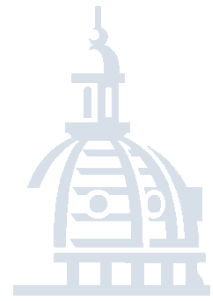


Fiscal Note

Fiscal Services Division



SF 2319 – Vehicle Facility Tax Credit (LSB1380SZ)

Analyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.iowa.gov)

Fiscal Note Version – New

Description

Senate File 2319 creates a new refundable income tax credit for the purchase and installation of commercial, residential, and agricultural electric, natural gas, or liquid propane vehicle refueling infrastructure. The credit is equal to 30.0% of the cost of purchasing and installing the equipment. Commercial and agricultural installation tax credits may be claimed in equal installments over three tax years. Residential tax credits may be claimed entirely in the initial tax year. All qualified installations must be placed in service prior to January 1, 2019. The bill limits the total dollar amount of tax credits that may be approved to \$5.0 million across all tax years. The tax credits are allowed on a first-come, first-served basis. The tax credit is effective January 1, 2017, and repealed January 1, 2025. Tax credits cannot be issued until July 1, 2017, and cannot be redeemed prior to September 1, 2017.

Assumptions

- The number and type of refueling stations eligible for the credit, along with the purchase and installation costs for each station type, was estimated by the Iowa Department of Revenue based on information from the U.S. Department of Energy, the Iowa Department of Transportation, and the Rocky Mountain Institute.
- Over the three years of credit availability, the Department estimates \$3.4 million of the available \$5.0 million in tax credits will be claimed. By installation type, the number of units and tax credit claims are assumed as follows:
 - Residential electric vehicle = 210 units, \$77,000 in credits
 - Commercial/agricultural electric vehicle = 37 units, \$358,000 in credits
 - Commercial/agricultural compressed natural gas = 14 units, \$2,039,000 in credits
 - Commercial/agricultural liquid propane = 16 units, \$886,000 in credits
- The tax credits are refundable. Residential credits may be redeemed in one tax year, while commercial and agricultural installation credits must be redeemed in three equal installments over three tax years. For residential installations, the credits are assumed to be redeemed in the fiscal year following the year of installation. For commercial and agricultural installations, the first of three equal credit redemption years is assumed to be the fiscal year following the year of installation.
- As a refundable tax credit, there is no impact on the local option income tax for schools.

Fiscal Impact

The new Alternative Fuel Vehicle Facility Tax Credit will reduce net General Fund revenue by the following estimated amounts:

- FY 2018 = \$ 0.3 million
- FY 2019 = \$ 0.7 million
- FY 2020 = \$ 1.1 million
- FY 2021 = \$ 0.8 million
- FY 2022 = \$ 0.5 million

Based on the assumptions used in this estimate, \$3.4 million of the maximum \$5.0 million in available tax credits will be used. Since the tax credit is refundable, there is no impact to the Local Option Income Surtax for Schools.

The Department of Revenue indicates that the enactment of this new tax credit will require the development of a new component to their Tax Credit Award, Claim & Transfer Administration System (CACTAS). This one-time development cost is estimated by the Department to be \$100,000. In addition, ongoing tax credit monitoring will result in annual administrative costs of \$25,000 for the period FY 2018 through FY 2020.

Source

Department of Revenue
Rocky Mountain Institute
Iowa Department of Transportation
U.S. Department of Energy

/s/ Holly M. Lyons

April 20, 2016

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
